

The Planning and Development Committee

Public Hearing, March 11, 2016

Raised S.B. No. 331

An Act Establishing A High-Speed Internet Service Pilot Program

**Testimony of Elin Swanson Katz, Consumer Counsel
Office of Consumer Counsel and State Broadband Office**

Thank you for the opportunity to appear before you today. I am pleased to be able to deliver good news in what I know is a difficult session. Connecticut is on the leading edge of a digital revolution that is growing across the country, but has unfortunately not yet reached New England. Because of the engagement and commitment of diverse groups of stakeholders at both the local and state level, across both government and the private sector, Connecticut is now poised to lead the nation in the deployment of state-of-the-art digital infrastructure.

I am speaking of the CT Gig Project, an effort by Connecticut municipalities, supported for several years by the Office of Consumer Counsel and the State Broadband Office, as well as many state officials and legislators, to identify public-private partnerships (P3) models to develop ultra-high-speed gigabit or “Gig” fiber networks. The CT Gig program was initiated by New Haven, Stamford, and West Hartford, but since its inception in 2014, over 100 municipalities have expressed interest in exploring such public-private partnership options.

I am delighted that for the first time to my knowledge, there is a great deal of energy and discussion in this building focused on delivering this state-of-the-art Gig technology. I am aware that there are other proposals before this committee as well as proposals in the Commerce Committee and of course, Senate Bill 1, focused on innovation in general. It may well make sense to merge these proposals into a unified state plan of action. I would welcome the opportunity to participate in any discussions or working groups formed to create a movement toward reaching the goal of greater connectivity to the internet for this state and its communities.

As to our work, with support from the Connecticut General Assembly, we have been working with CTC Energy and Technology (CTC) to develop P3 models for the interested municipalities. CTC, a national leader in developing municipal fiber infrastructure models, has said of our efforts:

Simply put, the local government participation in the CT Gig program was unprecedented anywhere else in the United States and a stunning outcome. The level of interest generated by the CT Gig program at the local level, both among government officials and the public, was greater than we have seen elsewhere in two

decades of working on comparable projects. In our estimation, one of the great accomplishments of the CT Gig program was catalyzing local planning processes in a wide range of Connecticut communities, and providing guidance and support to those communities as they have explored their own needs, assets, and opportunities.

In fact, CTC staff has stated that in every state they visit, one of the first questions they are asked is about the CT Gig initiative and how that effort can be duplicated by state and local governments. You can read more about their statements and recommendations in the attached press release. See: [Industry Experts Recommend Targeted Pilot Funding](#) (copy attached).

The question arises as to why there is so much energy and excitement around this initiative, if, as claimed by opponents of a government role of any kind in developing advanced telecommunications infrastructure, “Connecticut is one of the most connected states in the country.” These parties question why government should expend limited time and resources on this initiative if the market is already providing the levels of connectivity to the internet demanded by the Connecticut high tech business market.

The answer lies with the negative impacts that a lack of adequate, affordable broadband access have on impacted citizens (business, residents, and community anchor institutions alike), and the number impacted is more than you would expect – it’s thousands, not hundreds. The impacts from unaddressed demand for high speed internet access in this state are profound, and you will hear from some of those affected by lack of adequate access today, such as Max Kothari, a business owner from the North End of Hartford who is here with me today. Mr. Kothari and other business and municipal leaders will describe their unanswered demand for internet access capacity through testimony to this committee. I think you will be convinced that we are not merely proposing a solution in search of a problem, but rather, that we have identified a critical need that must be addressed for Connecticut to remain competitive in the US and the world markets in which we are active. And as you will hear, that problem is particularly acute for many small businesses and rural areas.

But the good news which opened my statement is that we have a solution and that real progress is possible, even in these very trying financial times. We have many, many municipalities that are engaged in this conversation and are filing testimony, including large and small urban cities, as well as a diverse collection of suburban and rural communities from all corners of our state. Independently and as regional groups, these communities are steadily joining us in objectively examining many innovative and successful P3 models to join public and private assets to solve this connectivity problem. The OCC and SBO will be issuing next week a detailed examination of municipal P3 models compiled by CTC, and we will follow that with a conference for state

and municipal officials here in the Legislative Office Building on March 23, from 8:30 am to 3:00 pm.

SB-331 creates a competitive process through which only the most innovative and well-planned proposals would be financed, and the bill encourages municipalities to collaborate on projects. SB-331 seeks targeted state investment to create matching funds to support grants to be awarded to successful pilot project proposals from municipalities and regional groups to deliver high-speed broadband to unserved or underserved area. Based on our discussions with dozens of municipalities and regional groups over the last few years, we fully expect to receive creative, innovative financing models for municipal public-private partnerships. A key component of all such proposals must be a detailed business plan to leverage the state's limited public investment by an exponentially-greater investment from the private sector to develop fiber infrastructure projects in these targeted Connecticut markets. Incumbent internet service providers are of course encouraged to participate in this program envisioned by SB-331.

To be clear, we are not talking about state or local government running an internet company. We agree with market actors that the private sector has the resources, human and equipment to supply and market telecommunications services. The fact that the private market has not met all of the existing needs of high-tech businesses for Gig service at affordable prices in Connecticut has many real business reasons, but the state and municipalities cannot afford to wait any longer for those needs to be met. State public policy takes a long-term view of success and small investments made today will bear successful fruit in the decades to come. Thus, what we are asking for is seed money from the state to jump start successful municipal/private sector pilot program proposals to deliver cheaper, faster broadband services where it is most needed. That is a valid, timely, and crucial government function in the absence of real competition in the internet capacity market in this state. Only fully vetted and detailed proposals that combine municipal demand with private sector funding and expertise will qualify for this initial state grant funding.

You may also hear from the industry that there is fiber "everywhere in Connecticut," and that we do not need to spend public money to build more. Whether or not fiber is everywhere is a debatable question, but the plain fact is that Gig broadband services are exorbitantly expensive for many businesses to obtain, presuming they can access such services at all. Connecticut needs to find ways to deliver reasonably-priced high-speed internet access to the state's business sectors whose need for such telecommunications is acute and immediate, including bioscience, health care, insurance, education, and high-tech manufacturing. This is particularly true for small businesses, which are of course the engine of economic development in a high tech state like Connecticut. While hardly a small business, bioscience giant Jackson Labs is a prime example of a successful public-private partnership in this state, and is just one of the high-tech businesses demanding ever-faster broadband speeds at affordable prices in order to compete with

the other states and nations to which Connecticut businesses market high-tech goods and services.

There is also a desperate need for high-tech firms to attract and keep young talented people to live and work in Connecticut. We know there's an extraordinary demand for highly-educated workers in the bioscience and tech sectors, many of whom are coming straight out of engineering, medical, and computer science programs, but this Millennial Generation of extremely mobile, highly-connected internet-natives demands this type of high-speed connectivity in every aspect of their lives as well. If Connecticut doesn't provide it, they'll pick up their devices and move on.

I do believe as the public advocate for telecommunications and head of the State Broadband Office, that this is our moment to show the rest of the country that the State of Connecticut is going to be New England's leader in the digital economy.

Thank you for your consideration.



STATE OF CONNECTICUT

NEWS RELEASE

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FOR IMMEDIATE RELEASE

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INDUSTRY EXPERTS CALL ENGAGEMENT OF STATE AND LOCAL OFFICIALS AROUND BROADBAND ISSUES “STUNNING,” RECOMMEND TARGETED PILOT FUNDING FOR GIGABIT NETWORKING IN CONNECTICUT

NEW BRITAIN, Conn. (March 9, 2016) – In a report released today by Consumer Counsel Elin Swanson Katz, “Recommendation: The Potential for Pilot Funding for Gigabit Networking in Connecticut,” [[insert link to OCC site](#)] telecommunication experts deem the CT Gig program “a singular and exemplary effort,” and state that the effort “represents the first statewide initiative to build a coalition of the great majority of localities within any state to explore options for both public and private investment.”

The CT Gig program is an effort by Connecticut municipalities, supported by the Office of Consumer Counsel and the State Broadband Office, as well as many state officials and legislators, including Comptroller Kevin Lembo and Appropriations Chair Senator Beth Bye (D-West Hartford), to identify public-private partnership models to develop ultra-high-speed gigabit or “Gig” fiber networks. The CT Gig program was initiated by New Haven, Stamford, and West Hartford, but since its inception in 2014, over 100 municipalities have expressed interest in

exploring such public-private partnership options.

The report, prepared by national consultancy CTC Technology & Energy (CTC), states,

Simply put, the local government participation in the CT Gig program was unprecedented anywhere else in the United States and a stunning outcome. The level of interest generated by the CT Gig program at the local level, both among government officials and the public, was greater than we have seen elsewhere in two decades of working on comparable projects. In our estimation, one of the great accomplishments of the CT Gig program was catalyzing local planning processes in a wide range of Connecticut communities, and providing guidance and support to those communities as they have explored their own needs, assets, and opportunities.

In fact, CTC staff reported that in every state they visit, one of the first questions they are asked is about the CT Gig initiative and how that effort can be duplicated elsewhere.

“This has been a community-based, grass-roots efforts by local officials, with considerable support from state officials and legislators, the business community, internet service providers, and other stakeholders, to identify the best options to develop state-of-the-art fiber infrastructure,” Consumer Counsel Katz said. “Each municipality is assessing its needs, evaluating the priority areas within its community, and then considering how best to drive cheaper, faster broadband services into those priority areas. There are also numerous efforts underway by towns and cities to work together. It represents the best in Yankee ingenuity.”

Consumer Counsel Katz noted that Connecticut already has some of the most connected residents in the country, but added that there are still needs to be addressed, especially as business and industry are demanding ever-faster broadband speeds at affordable prices in order to compete with other states and nations in which Connecticut businesses market high-tech goods and services.

“Connecticut is ‘Still Revolutionary’ and not a state content to stand still, especially with the pace of technology evolving more quickly every day. We need to consider not just how do we keep up with our neighboring states, but how do we surpass them, how do we continue to be a leader in the digital economy,” Katz said. “This discussion is flowing from Main Street all the way to Capitol Avenue and has already created opportunities for our municipalities. It’s essential that we keep this initiative going.”

Indeed, the CTC report states it is clear “that Connecticut is committed to supporting its economy and its communities with world-class infrastructure,” and that CTC’s research reveals, “Connecticut was the first state to connect every school district building throughout its territory over robust fiber optics—an effort that was then adopted as a best practice in many other states following Connecticut’s successful efforts.”

The CTC report recommends that the State consider creating a modest broadband matching grant program for targeted municipal pilot projects to catalyze and incent local government and private investment in the infrastructure that enables gigabit services – fiber-to-the-premises (FTTP). It suggests a competitive process to select the most viable projects that target specific needs with maximum leverage of private capital.

This recommendation comes as the Planning and Development Committee of the legislature is scheduled to hear testimony at the Legislative Office Building on just such a pilot project proposal, SB 331, AN ACT ESTABLISHING A HIGH-SPEED INTERNET SERVICE PILOT PROGRAM, this Friday, March 11, at 11 am.

The report's findings conclude:

- The Northeast/New England Region is not seeing significant new broadband investment by the private sector without public catalysts – specifically, these regions are not in the FTTP investment plans of Google Fiber, which has announced enormous investments in more than two dozen cities, none of them located in the Northeast or New England regions.
- The neighboring states of New York and Massachusetts have created two of the three most significant state funding mechanisms for next generation broadband such as FTTP (the other state is California);
- The ongoing execution of state funding programs for local broadband efforts in New York and Massachusetts are likely attracting large amounts of private capital that seeks access to the public funding and the benefit from the new infrastructure, and Connecticut could also seek to gain access to such private capital;
- A pilot program, even if modest in scale, would allow the State to maintain momentum developed thus far, and not cede the broadband landscape to neighboring states and their most prominent cities.
- A pilot program would send a clear message to businesses and workers that communications infrastructure is a critical part of state policy-making and Connecticut is seeking a significant investment in state-of-the-art infrastructure that will enable the next generation of Internet uses by companies and consumers.

The report can be found on the Office of Consumer Counsel's [website](#).

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The Office of Consumer Counsel (OCC) is the State of Connecticut's advocate for consumers on issues relating to electricity, natural gas, water, and telecommunications. For more information, visit www.ct.gov/occ.